TIME FACTOR ADJUSTMENTS FOR COMPARABLE SALES

SINCE 1952 we have published a Residential Sales Price Index and a table of factors which may be applied to adjust sales of previous years to present-day levels. This i n d e x and the modifying factors have now been used by subscribers to our reports in all parts of the United States for more than 5 years, and during that time have been thoroughly tested under varying conditions.

Prior to the publication of these tables many appraisers had difficulty in finding a sufficient number of usable comparable sales, particularly in smaller towns or in areas having a limited number of properties which could be used for this purpose. Because few recent sales were available, the appraiser often was able to consider only a small number which might be used as a guide to actual sales value. By using the Sales Price Index and the Sales Price Modifier as published from time to time in our reports, older sales may now be projected to give an indication of what these sales would represent on today's price level. This makes possible the use of many sales on the average residential property.

The Sales Price Index is computed for properties which are well maintained in a stable neighborhood. Ordinary maintenance and repair and the usual amount of modernization which takes place are included in the index. Attention should be paid to properties where major alterations or changes in zoning have occurred since the original sale. If major changes have taken place, the unadjusted projected sales price will not be indicative of the value today.

In the regular appraisals made by our organization, as well as in the studies which we make for reassessment purposes and in mass appraisal projects for condemnation, we consider all sales which have been made in the neighborhood regardless of the date, applying the Sales Price Modifier to bring these sales to today's level. This gives us a much wider and more comprehensive study than could be made if only sales of the past year or two were used.

We have had numerous requests for a similar Sales Price Modifier for commercial and industrial properties. Because of the great differences between various commercial properties, and because the turnover of commercial properties is not as great as it is in residential properties, it is most difficult to develop such an index. Our research department is working on the project in an attempt to find some practical means of measuring these fluctuations.

As we suspected, we have found a rather direct relationship between the indexes of commercial and industrial building costs, our Residential Sales Price

FLUCTUATIONS IN THE SELLING PRICE OF A TYPICAL SINGLE-FAMILY RESIDENCE

1908 TO THE PRESENT

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1908	-	-	-	-	-	37.4	-	-	-	-	-	-
1909	-	-	-	-	-	40.1	-	-	-	-	-	-
1910	-	-	-	-	-	40.1	-	-	-	-	-	-
1911	-	-	-	-	-	40.7	-	-	-	-	-	-
1912	-	-	-	-	-	41.4	-	-	-	-	-	-
1913	-	-	-	-	-	40.1	-	-	-	-	-	-
1914	-	-	-	-	-	32.1	-	-	-	-	-	-
1915	-	-	-	-	-	35.4	-	-	-	-	-	-
1916	-	-	-	-	-	38.8	-	-	-	-	-	-
1917	-	-	-	-	-	36.1	-	-	-	-	-	-
1918	-	-	-	-	-	34.1	-	-	-	-	-	-
1919	-	-	-	-	-	37.8	-	-	-	-	-	-
1920	-	-	-	-	-	46.8	-	-	-	-	-	-
1921	-	57.5	59.8	59.8	60.2	60.4	60.7	60.4	59.9	59.9	59.6	59.5
1922	59.5	59.5	59.0	58.8	58.4	58.2	57.9	58.6	59.2	59.9	60.4	61.1
1923	61.6	62.0	62.8	63.4	63.6	63.5	63.4	63.4	63.5	63.8	64.2	64.4
1924	64.6	64.8	65.4	65.8	66.3	67.2	68.4	68.6	69.0	69.3	69.5	69.8
1925	70.1	70.5	70.5	70.6	71.0	71.3	71.3	72.2	72.5	72.5	72.7	72.9
1926	72.5	72.2	72.2	72.1	71.9	71.9	71.9	71.4	71.1	71.0	70.6	70.6
1927	70.7	70.9	70.7	70.7	70.9	71.0	71.0	71.1	71.3	71.3	71.1	71.1
1928	71.1	71.1	71.0	71.3	71.4	71.5	71.7	71.9	72.1	72.5	72.9	73.4
1929	73.7	73.8	73.9	73.7	73.3	72.7	72.2	71.7	71.1	70.5	69.9	69.1
1930	68.4	67.8	67.0	66.4	65.8	65.5	65.1	64.8	64.2	63.5	62.7	62.2

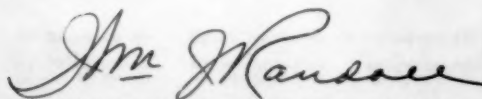| Year	1	2	3	4	5	6	7	8	9	10	11	12
1931	46.2	48.1	50.0	51.9	53.8	55.7	57.6	58.8	59.6	60.4	60.8	61.5
1932	34.8	34.8	34.8	34.8	34.8	34.8	34.8	36.7	38.6	40.5	42.4	44.3
1933	41.4	41.4	41.4	41.4	41.4	41.4	38.1	38.1	38.1	38.1	38.1	38.1
1934	44.8	44.8	44.8	44.8	44.8	44.8	43.1	43.1	43.1	43.1	43.1	43.1
1935	39.4	39.4	39.4	39.4	39.4	39.4	42.1	42.1	42.1	42.1	42.1	42.1
1936	42.8	42.8	42.8	42.8	42.8	42.8	41.1	41.1	41.1	41.1	41.1	41.1
1937	46.8	40.1	40.1	40.1	40.1	40.1	40.1	41.4	41.4	41.4	41.4	41.4
1938	44.1	50.8	50.8	50.8	50.8	50.8	50.8	46.8	46.8	46.8	46.8	46.8
1939	42.8	42.8	42.8	42.8	42.8	42.8	44.1	44.1	44.1	44.1	44.1	44.1
1940	40.1	40.1	40.1	40.1	40.1	40.1	42.8	42.8	42.8	42.8	42.8	42.8
1941	46.8	45.5	45.5	44.1	44.1	41.4	40.1	40.1	40.1	40.1	40.1	40.1
1942	48.1	49.5	49.5	49.5	49.5	48.1	48.1	46.8	46.8	46.8	46.8	45.5
1943	50.8	50.8	50.8	50.8	50.8	50.8	49.5	49.5	48.1	48.1	48.1	48.1
1944	60.6	59.4	59.0	58.2	58.0	57.6	57.5	56.1	57.5	56.1	53.5	53.5
1945	75.3	73.5	71.7	69.9	68.0	67.1	66.2	64.8	63.6	62.7	62.3	61.4
1946	94.0	93.9	93.2	92.5	91.6	90.0	88.2	86.2	84.8	82.9	80.1	77.8
1947	98.7	97.3	96.4	95.9	94.9	94.5	94.5	94.4	93.6	93.2	93.6	93.6
1948	103.2	103.6	104.5	104.0	103.5	103.3	102.8	102.0	101.6	101.1	100.4	99.5
1949	102.1	102.1	101.7	101.9	102.5	102.4	102.4	102.8	103.1	102.9	102.1	102.7
1950	111.4	109.9	108.7	107.6	107.4	106.8	105.9	104.8	103.6	103.1	103.2	102.8
1951	119.1	118.7	118.6	117.8	117.0	116.6	116.0	115.6	115.0	113.9	113.8	113.0
1952	119.0	119.0	119.4	119.8	119.4	119.0	119.3	120.2	120.6	120.9	119.6	119.1
1953	120.1	120.6	119.7	119.5	119.0	118.7	118.7	117.6	117.9	118.7	118.9	118.6
1954	123.6	122.6	122.3	122.3	123.1	123.1	122.7	122.6	122.2	121.0	121.0	120.9
1955	125.2	125.1	125.1	125.0	123.9	123.8	123.4	123.5	122.9	122.7	122.6	122.9
1956	121.9	121.8	121.9	122.1	122.5	122.9	123.1	123.5	124.1	124.5	124.9	125.3
1957	124.7	124.7	124.9	124.5	124.6	124.6	123.9	123.9	123.1	122.7	122.6	121.9
1958								124.1	124.1	124.3	124.5	124.7

Index, and the Consumer Price Index, particularly in recent years. The relationship between the Residential Sales Price Index and commercial and industrial building costs is closer than the relationship to the Consumer Price Index. One reason for the closer resemblance of the Residential Sales Price Index to actual sales prices of commercial and industrial properties is that land values are not included in any of the other indexes. With the advent of the automobile and rapid transportation, land values as a percentage of the total value of a commercial property have declined. This has also been true on residential properties. Land values in the urbanized portions of our metropolitan areas have not increased as rapidly as have construction costs on residential, commercial, and industrial properties.

We would suggest, therefore, that until we are able to derive a better index, the fluctuations in our Residential Sales Price Index can be used to modify commercial and industrial prices to form a rough but practical aid in the study of comparable sales on these types of properties.

The table in the center spread of this bulletin shows our Residential Sales Price Index which may be used to project sales prices of the past to an index of current value. Monthly our Trends Bulletin will publish future changes in this index which may be used to keep this series up to date. In order to get the present value of a past sales price it is merely necessary to figure the relation of the current index to that of the date of the sale. If a property sold for $150,000 in August 1933 and we want its current value, the following steps are taken:

1. Find index for August 1933 (41.4)

2. Find index for May 1958 (124.1)

3. Index for May 1958 (124.1) divided by index for August 1933 (41.4) = 3.

4. Multiply August 1933 sales price ($150,000) by above factor (3) and the result will be the May 1958 sales price ($450,000).

We would like to emphasize that this system is just another crutch for the appraiser to use. One of the difficulties in appraising commercial and industrial properties is that they are generally considered investment properties, and investment properties are only worth the present value of their anticipated future earnings. If a property were under long-term lease it would not vary along the same lines as a property not encumbered by such a lease. Retail stores in neighborhood centers and along string streets, without parking space, were considered relatively desirable 10 years ago, while today their value has shrunk rather than increased. The relative desirability of each property must be equal at both times in order to get a true value reflection by this method.

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